

# Four Corners & Navajo Mine Energy Project

Arizona Public Service Company & BHP Navajo Coal Company

# Presentation Overview

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- ▶ Project introduction
  - ▶ FCPP
  - ▶ BNCC
- ▶ Project-related facts
  - ▶ Tribal self-sufficiency and self-determination
  - ▶ Environmental values
  - ▶ Economic benefits
  - ▶ Practical and progressive energy policy
- ▶ Permitting details and need for agency coordination



# Introduction to the Project

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- ▶ Navajo Nation is working together with Arizona Public Service Company (APS) & BHP Navajo Coal Company (BNCC) to secure federal approvals so the Four Corners Power Plant (FCPP) continues to operate with significant emissions reductions using Navajo-owned coal, safely and responsibly supplied from the adjacent Navajo Mine
- ▶ This is an extremely important project to the Navajo Nation

## Project-related Facts

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- ▶ This project aligns with tribal, environmental, economic, and energy policies including:
  - ▶ Federal trust obligations to support tribal self-sufficiency and self-determination
  - ▶ Natural resources to be produced and used safely, responsibly, and in accordance with environmental values and laws
  - ▶ Creation and maintenance of high-skilled jobs
  - ▶ Domestic energy independence and energy security



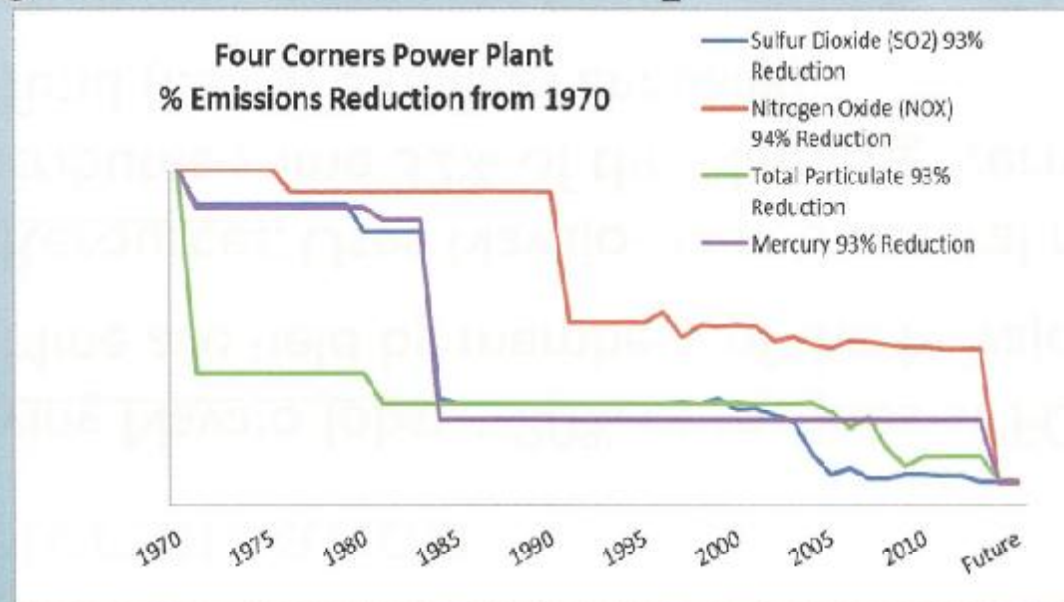
## Promotes Navajo Self-sufficiency and Self-determination

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- ▶ High Paying Navajo Jobs: ≈80% of the jobs at FCPP and Navajo Mine are held by members of the Navajo Nation.
- ▶ Navajo Resources: Uses Navajo-owned natural resources and contributes some 32% of the Navajo government's general fund (i.e., \$70 million annually)
- ▶ Navajo Culture: In an area of 55% unemployment, the jobs created by the project will help to preserve the Navajo culture by curbing the migration of working age Navajo from the Reservation

# Promotes Environmental Improvement

- ▶ Advanced Environmental Controls: Environmental improvement projects to be taken by APS will cause FCPP to be among the best controlled coal-fired power plants in the US by continuing to significantly reduce emissions including a 30% reduction in CO<sub>2</sub>





# Comprehensive & Robust Environmental Review

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- ▶ FCPP and Navajo Mine are cooperating to support a best-in-class, comprehensive review of all environmental impacts from the project by DOI and other federal agencies under NEPA, NHPA, ESA, and others
- ▶ APS and BNCC have initiated early coordination and communication at the local and regional levels of OSM, BIA, BLM, OEPC, USFWS, Solicitors Office, USACE, and USEPA



# Jobs and American Competitiveness

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- ▶ Direct, High-skilled Jobs: The combined facilities support more than 1,000 full-time employees – over two-thirds of whom are members of labor unions – representing an annual payroll of approximately \$100 million
- ▶ Indirect Jobs and Government Revenue: \$137 million annually to local vendors and \$110 million in federal, tribal, state, and local taxes, fees, and royalties. Each direct job supports an estimated 5 indirect jobs
- ▶ Construction Jobs: Hundreds of construction-related jobs will be added for several years through pollution control and mine expansion projects
- ▶ Competitive Energy Prices: Responsible, reliable electricity from lower-priced coal in an all-in, diversified fuel mix will maintain affordable electricity rates for consumers and competitiveness of regional businesses

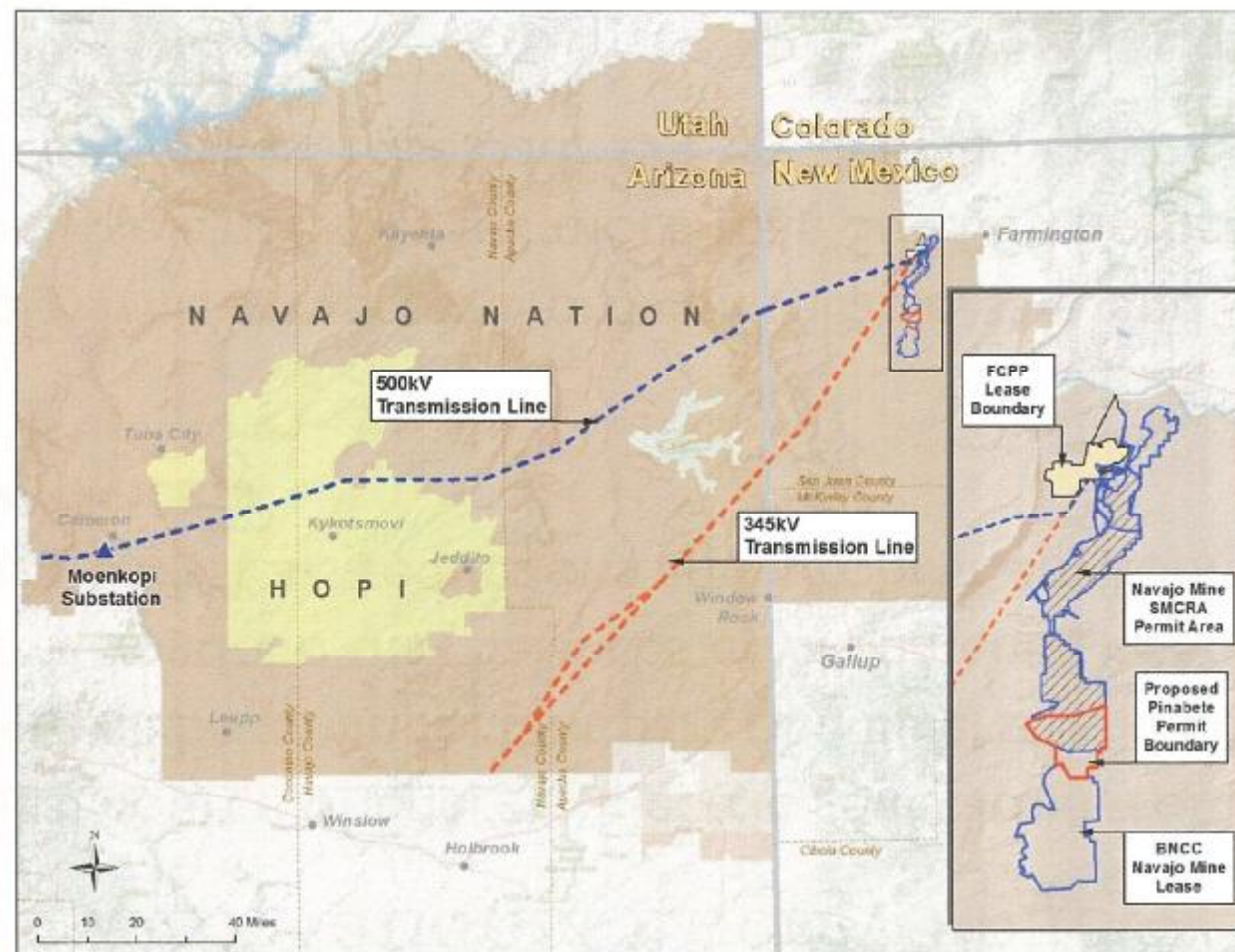


## Aligns with National Energy Policy

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- ▶ Practical Source of Energy: Electric generation from this project will be an important part of a diverse and cost-effective portfolio that balances environmental concerns through emissions reductions and a robust environmental review process
- ▶ Reliable: This project will provide reliable, safe, and responsible electricity for more than 500,000 homes to meet continuous “baseload” energy demand

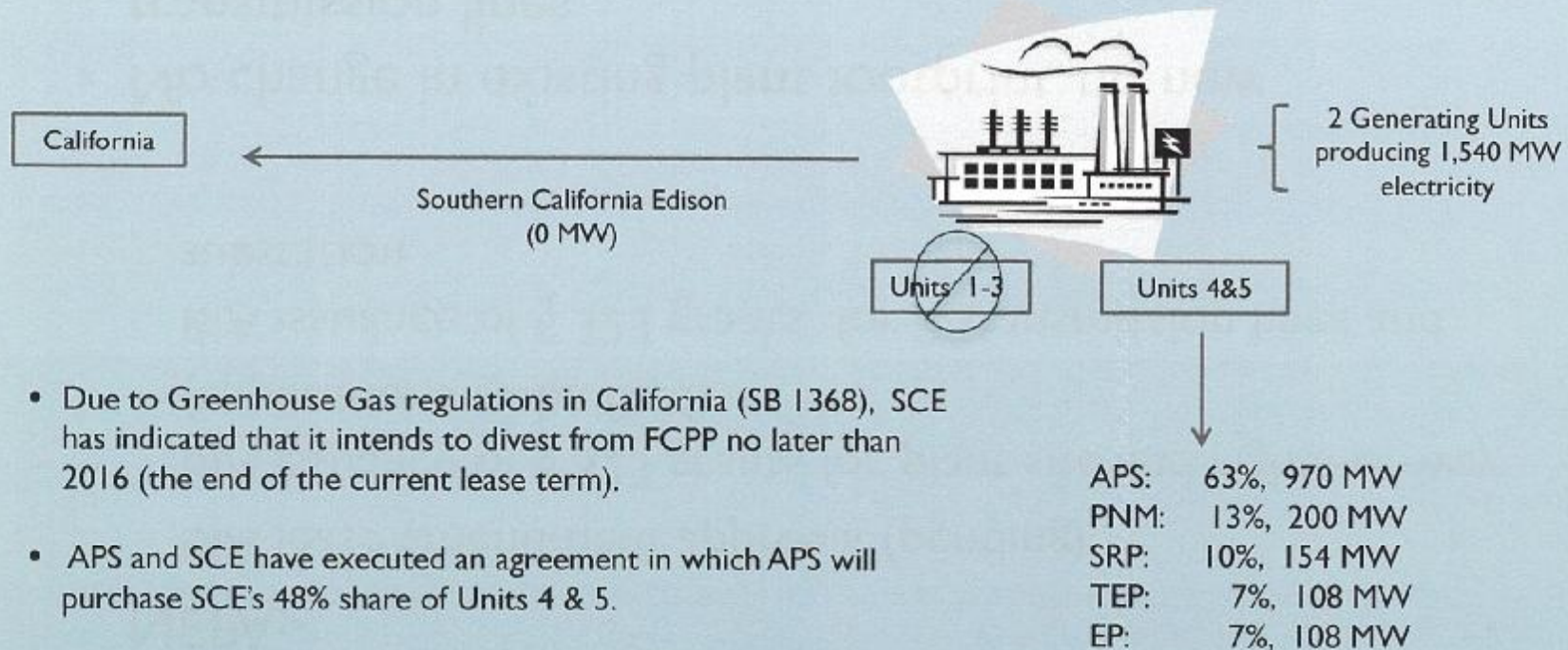
# Background- General Location Map





# Background: Proposed Future FCPP Operations

APS will purchase SCE's 48% share of Units 4 & 5 and will shut down Units 1, 2 & 3



- Due to Greenhouse Gas regulations in California (SB 1368), SCE has indicated that it intends to divest from FCPP no later than 2016 (the end of the current lease term).
- APS and SCE have executed an agreement in which APS will purchase SCE's 48% share of Units 4 & 5.
- The transaction has received CPUC and ACC approval, and also requires FERC approval

## NEPA Review: FCPP Actions

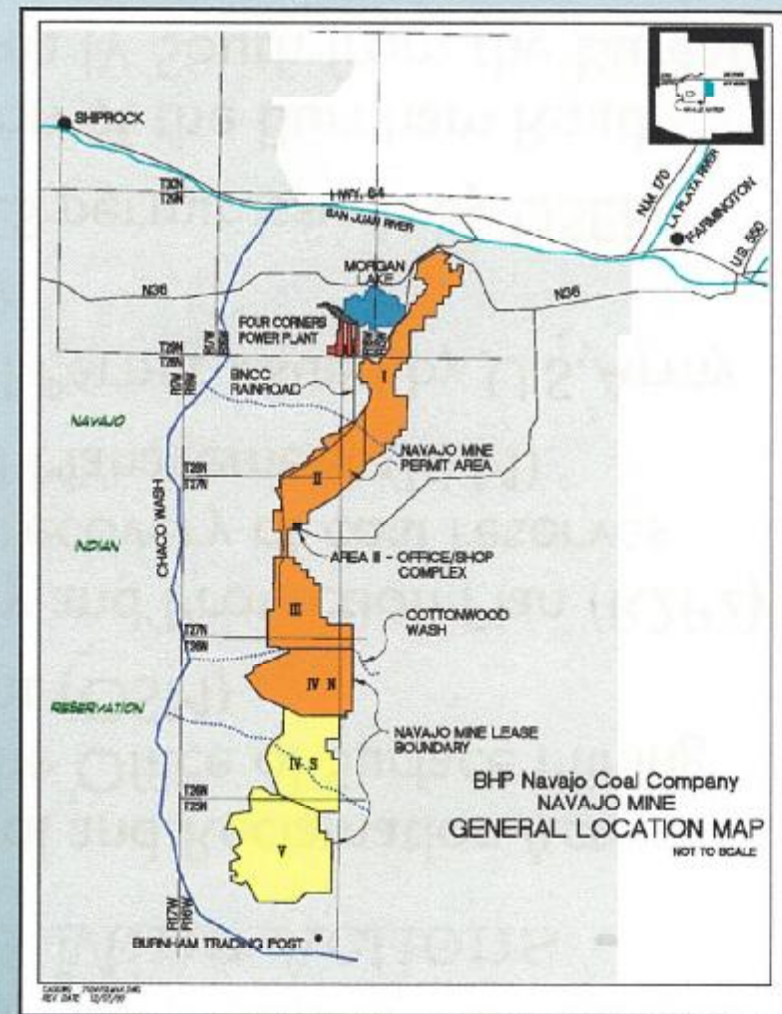
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- ▶ Three “federal actions” associated with FCPP trigger NEPA:
  - ▶ BIA lease amendment approval (pending)
  - ▶ BIA issuance of § 323 grants for plant site and rights-of-way (applications to be filed)
  - ▶ BIA issuance of § 323 grants for 2 transmission lines and substation
  
- ▶ No change in existing plant footprint; no new transmission lines



# Background: Navajo Mine

- ▶ Operations began in 1963
- ▶ 35,000 acre mining lease
- ▶ Average annual coal production  $\approx$  8.5 million tons
- ▶ Sole supplier to Four Corners Power Plant (FCPP)
- ▶ Existing contract with FCPP through July 6, 2016





## NEPA Review: Navajo Mine Actions

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- ▶ A new Surface Mining Control and Reclamation Act (SMCRA) permit issued by the Office of Surface Mining Reclamation and Enforcement (OSM)
- ▶ A revised Resource Recovery and Protection Plan (R2P2) for the maximum economic recovery of coal reserves issued by the Bureau of Land Management (BLM)
- ▶ A new Section 404 Individual Permit issued by U.S. Army Corps of Engineers (USACE)
- ▶ A revised Section 402 NPDES permit issued by USEPA
- ▶ Approval to relocate a portion of the Burnham Road within Area IV North and Area IV South from the Bureau of Indian Affairs (BIA)



## Other Federal Reviews and Approvals

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- ▶ Formal consultation under Section 7 of the Endangered Species Act
- ▶ Consultation under Section 106 of NHPA and compliance with other federal and tribal cultural resource requirements

# NEPA Process

## Environmental Impact Statement (EIS) Schedule (Draft)

*Published OSM Draft Schedule*





# Public Participation

- Scoping meetings are planned in August 2012 at nine different locations

Location	Date	Time	Venue
Hotevilla, AZ	August 9, 2012	3:00 p.m. – 7:00 p.m.	Hotevilla Village
Cortez, CO	August 10, 2012	5:00 p.m. – 9:00 p.m.	Montezuma-Cortez High School
Burnham, NM	August 11, 2012	9:00 a.m. – 1:00 p.m.	Burnham Chapter House
Nenahnezad, NM	August 13, 2012	5:00 p.m. – 9:00 p.m.	Nenahnezad Chapter House
Farmington, NM	August 14, 2012	5:00 p.m. – 9:00 p.m.	Farmington Civic Center
Shiprock, NM	August 15, 2012	5:00 p.m. – 9:00 p.m.	Shiprock High School
Durango, CO	August 16, 2012	4:00 p.m. – 8:00 p.m.	Durango Public Library
Window Rock, AZ	August 17, 2012	5:00 p.m. – 9:00 p.m.	Navajo Nation Museum
Albuquerque, NM	August 18, 2012	11:00 a.m. to 3:00 p.m.	Indian Pueblo Cultural Center

# Conclusion

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- ▶ APS & BNCC seek to continue to operate FCPP and Navajo Mine into the future
  - ▶ Good for the Navajo Nation and community (preserves jobs and essential revenue)
  - ▶ Good for the environment (significant emission reductions and best of class environmental review)
  - ▶ Good for consumers (low cost generation of domestic energy)
  - ▶ Good, practical, and progressive energy policy
- ▶ This project is of the highest importance to the Navajo Nation, APS, and BNCC and we are optimistic that involved federal agencies will recognize this project as a priority and will dedicate the necessary resources to facilitate the environmental compliance and review processes



## **Four Corners and Navajo Mine Energy Project Description**

BHP Navajo Coal Company (“BNCC”) owns and operates the Navajo Mine located near Waterflow, New Mexico in the Navajo Nation. The surface mining operation supplies all the coal used at the nearby Four Corners Power Plant, which is operated by Arizona Public Service Company (“APS”). The Navajo Nation, APS, and BNCC are all working together to renew the power plant’s lease and expand mining operations so that electricity production can continue after 2016. This effort will require several complicated federal, tribal, and state regulatory approvals as well as detailed environmental and historic and cultural preservation studies. These approvals and studies are summarized below.

### **Four Corners Power Plant**

As operator of the Four Corners Power Plant, APS recently executed a lease amendment (“Lease Amendment No. 3”) with the Navajo Nation to extend the term of the lease for the FCPP an additional 25 years to 2041. APS proposes the approval of the lease amendment and grants of right-of-way by the Bureau of Indian Affairs for the Plant site and ancillary facilities, the independent switch yard, and the transmission lines.

The desired future operation of the FCPP site involves removing Units 1, 2, and 3 from service on or before 2014, installing pollution control upgrades on Units 4 and 5, and continued operation of the independent switch yard and transmission lines. This scenario will substantially reduce coal consumption and emissions, and lower the power output of the plant to approximately 1,500 megawatts. The ash disposal area will expand in future years within the current lease boundary. There is no proposed change to the exterior boundary of the FCPP site, the switch yard, or any of the transmission lines and ancillary facilities as part of the proposed actions.

### **Navajo Mine**

BNCC will apply for a permit from the federal Office of Surface Mining Reclamation and Enforcement (“OSM”) under the Surface Mining Control and Reclamation Act to produce about 6 million tons per year of low-sulfur coal from 3,000 acres of land currently leased to the company by the Navajo Nation. Because of the shutdown of three power plant units, this future production is about 3 million tons per year *less* than in the past. A portion of the Burnham Road—a public road administered by the BIA—will also need to be moved east and upgraded so that it will not obstruct future mining operations.

So that this tribally-owned coal resource is used wisely, the company will prepare a Resource Recovery and Protection Plan under the supervision of the

federal Bureau of Land Management. The U.S. Environmental Protection Agency will amend the company's Clean Water Act Section 402 discharge permit for the mine. And because the desert arroyos on the lease will be disturbed, the U.S. Army Corps of Engineers will need to issue an individual permit under Section 404 of the Clean Water Act for these proposed mining activities.

The Navajo Nation will also need to verify that these proposed mine activities will not adversely impact tribally-listed endangered or threatened species, coordinate historic preservation reviews as part of its role under Section 106 of the National Historic Preservation Act, and provide a water quality certification under the Clean Water Act. Of course, federal agencies will also consult with the Navajo Nation on a range of regulatory compliance matters.

### **Joint Approvals and Studies**

The Nation, APS, and BNCC will cooperate with all these federal agencies—led by OSM—to prepare an environmental impact statement (“EIS”) under the National Environmental Policy Act. The EIS will assess the impacts of these federal approvals on the quality of the human environment, and will include an assessment of alternatives to the proposed federal actions. The EIS will cover the direct, indirect, and cumulative impacts of federal approvals at both the Four Corners Power Plant and the Navajo Mine.

OSM will also conduct formal consultation with the U.S. Fish and Wildlife Service under Section 7 of the Endangered Species Act to ensure that the federal approvals for both facilities address any and all impacts on threatened and endangered species and their critical habitat. Similarly, the federal agencies will conduct a consultation under Section 106 of the National Historic Preservation Act with the Navajo Nation and, as appropriate, the Advisory Council on Historic Preservation.

### **Timing of Permits, Reviews, and Consultations**

To assure the continuous, uninterrupted operation of the Navajo Mine and the Four Corners Power Plant, all federal permits and environmental, wildlife, and cultural reviews and consultations will need to be completed by January 2015.



## Four Corners and Navajo Mine Energy Project Fact Sheet

The Navajo Nation is working together with Arizona Public Service Company and BHP Navajo Coal Company to secure by January 2015 federal approvals to continue reducing dramatically air emissions from the Four Corners Power Plant, and ensure that the plant continues to be supplied safely and responsibly with Navajo-owned coal from the adjacent Navajo Mine.

This project is in alignment with four important federal policies:

- The federal trust obligations to support tribal self-sufficiency and self-determination;
- That natural resources be produced and used safely, responsibly, and in accordance with environmental values and laws;
- The creation and maintenance of high-skilled jobs and supporting the competitiveness of the U.S. economy; and
- Domestic energy independence and energy security.

The President's Council on Jobs and Competitiveness captured the essence of many of these policies in its January 2012 *Road Map to Renewal* report. With respect to energy projects, the Council wrote:

An all-in approach is imperative if we hope to reduce our reliance on foreign oil and create a more diverse electricity generation portfolio. America needs to optimize use of all of its natural resources while protecting public health and the environment. Now more than ever, the jobs and economic and energy security benefits of these energy projects require us to tackle the issues head-on and to expeditiously, though cautiously, move forward on projects that can support hundreds of thousands of jobs. Over the long term, we expect that innovation and technological advancements will greatly reduce America's reliance on fossil fuels. Until then, however, we need to be all in.

This project is in alignment with these tribal, environmental, economic, and energy policies.

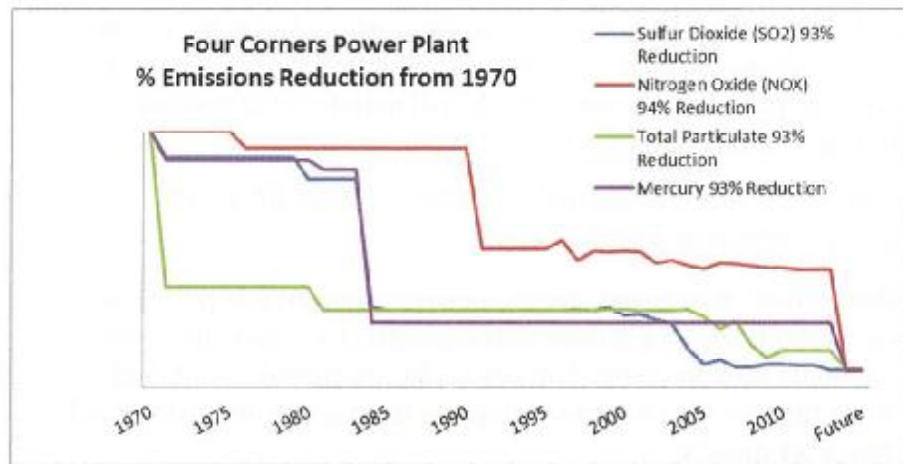
## **1. This project promotes Navajo self-sufficiency and self-determination**

- **Navajo jobs.** In an area with per capita income of only \$6,800, wages and benefits from jobs at the Four Corners Power Plant and the Navajo Mine—some 80% of which are held by members of the Navajo Nation—approach \$100,000 per job, with an overall annual payroll of over \$100 million.
- **Navajo resources.** This project continues the use of Navajo-owned natural resources, and contributes some 32% of the Navajo government's general fund revenue through the payment of some \$70 million annually in royalties, fees, and taxes. Past project closures at Black Mesa, McKinley Coal Mine, and in the Chuska Mountains have deeply and adversely impacted the Navajo's ability to control their resources for their own benefit.
- **Navajo culture.** In an area of 55% unemployment and with an even larger percentage of underemployment, the jobs created by the project will help to preserve Navajo culture by curbing the migration of working age Navajo from the Reservation as they seek employment opportunities. In addition, the income from jobs created by the project—and in particular the income from the many jobs held by Navajo women—will help to support extended families and sustain community service initiatives on the reservation.

## **2. This project provides dramatic environmental improvement in air quality and reduces CO<sub>2</sub> emissions**

- **Advanced environmental controls.** Once fully implemented, the environmental improvement projects to be taken by Arizona Public Service Company will cause the Four Corners Power Plant to be among the best controlled coal-fired power plants in the United States by extending historic emissions reductions at the plant even further and by reducing CO<sub>2</sub> emissions by 30%.





- **Comprehensive and robust environmental review.** The power plant and coal mine are cooperating to support a best-in-class, comprehensive review of all environmental impacts (*e.g.*, air quality, climate, water quality, land use, and wildlife) from the project by the Department of the Interior and other federal agencies under the National Environmental Policy Act, the National Historic Preservation Act, the Endangered Species Act, and others.

### 3. This project provides jobs and supports American competitiveness

- **Direct, high-skilled jobs.** In a county where 30% of children live in poverty, the combined facilities have more than approximately 1,000 full-time employees—over two-thirds of whom are members of labor unions—representing an annual payroll of approximately \$100 million.
- **Indirect jobs and government revenue.** The combined facilities create another \$137 million annually in local vendor support, and each direct job creates an estimated five indirect jobs. The combined facilities contribute \$110 million annually in federal, tribal, state, and local taxes, fees, and royalties.
- **More construction jobs.** The project will preserve those existing jobs, and will add hundreds of construction-related jobs through the pollution control and mine expansion projects. The companies expect to exhaust the local supply of skilled union labor, and will attract labor from throughout the region during the multi-year construction period.

- **Competitive energy prices.** Responsibly produced, reliable electricity from lower-priced coal in an all-in, diversified fuel mix will keep regional electricity rates lower, which will maintain the competitiveness of regional businesses.

**4. This project is in alignment with a practical and progressive national energy policy**

- **Practical.** Fossil-fuel based electric generation from this project will be an important part of a diverse and cost-effective generation portfolio for some time to come. The key to the continued use of coal — as in this project—is to minimize impacts from coal combustion and to improve air quality.
- **Reliable.** The project will responsibly and reliably generate electricity for more than 500,000 homes to meet continuous “baseload” energy demand.